

CalPERS THREE-YEAR BUSINESS PLAN

2005-06 THROUGH 2007-08

Our mission is to advance the financial and health security for all who participate in the System. We will fulfill this mission by creating and maintaining an environment that produces responsiveness to all those we serve.

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CalPERS is known for being a leader in the Pension Benefit industry. Receiving long-term strategic direction from the Board of Administration and managed by a twelve person Executive Team, CalPERS has made great strides in how it delivers quality services, contracts for benefits and provides members benefits and products. Developing a vision from Board perspective and a road map from Executive planning, CalPERS developed two key documents, the CalPERS Strategic Plan and the Three-Year Business Plan. The Three-Year Business Plan is, in part, what assists CalPERS with capacity planning to deliver quality benefits and services. The CalPERS Annual Plan, or Operational Plan, which is in part derived from the Three-Year Business Plan, outlines the organization's current year objectives as a companion document to the current year budget prepared and presented to the Board of Administration annually.

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Our mission is to advance the financial and health security for all who participate in the System. We will fulfill this mission by creating and maintaining an environment that produces responsiveness to all those we serve.

Our Leadership

Goal I: Be a champion for retirement and health security.

Customer Services

Goal II: Provide high quality customer service and education that enables members and employers to make informed and timely retirement and health decisions.

Benefits Management

Goal III: Design, develop, and administer benefit programs and business processes that are innovative, effective, efficient, and valued by our members, employers, and stakeholders.

Asset and Benefit Obligations Management

Goal IV: Assure that sufficient funds are available, first, to pay benefits, and second to minimize and stabilize employer contributions.

Our Organization

Goal V: Effectively focus resources to sustain a high performance work culture. Foster an environment that values quality, respect, diversity, integrity, openness, and accountability.

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Pension Benefits

Objective #1 (Goal II) – By 2006, increase the number of members receiving counseling prior to submitting their retirement applications by 25 percent.

IN PROGRESS

The CalPERS Customer Contact Center (CCCC) is evaluating whether members receiving counseling prior to submitting their retirement applications is the appropriate measurement to ensure our members are making sound retirement decisions. This objective is currently being re-evaluated and will be reflected on the new three-year business plan (2006-07 through 2008-09).

Objective #2 (Goal II) – By 2006, improve the accessibility to and quality of member education programs by:

COMPLETED

A. Design education courses that are targeted to 10 discrete audiences defined by employer type and life/career events and increase participation to 10 percent of overall membership.

COMPLETED

B. Increasing our overall customer satisfaction rating for member education from 86 percent to 90 percent.

Objective #3 (Goal IV) - By 2006, further reduce employer rate volatility by:

IN PROGRESS

A. Implementing risk pooling for Public Agencies.

The Actuarial and Employer Services Division report they are on track to complete this objective on time. In 2004, all of the essential elements necessary for the implementation of risk pooling for public agencies were put in place. Actuarial valuations were prepared on this basis and mailed to employers in October 2004 and employers began making contributions based on pooled assets and liabilities on July 1, 2005.

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Objective #4 (Goal III) – By 2008, achieve an increase in the number of members who utilize self-service applications by 25 percent.

IN PROGRESS

A. By June 2007, 5 percent of retirees access their warrant statements on-line.

Objective and outcome measures are currently being restructured for inclusion on new three-year business plan (2006-07 through 2008-09)

IN PROGRESS

B. By June 2008, increase the number of retirement applications submitted on-line to 25 percent.

Objective and outcome measures are currently being restructured for inclusion on new three-year business plan (2006-07 through 2008-09)

IN PROGRESS

C. By June 2008, reduce the number of paper based retirement estimate requests by 50 percent.

Objective and outcome measures are currently being restructured for inclusion on new three-year business plan (2006-07 through 2008-09)

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Health

Objective #5 (Goal III) – Implement a Health Benefits Program design that provides the best value and service for all enrollees and is responsive to market by:

As reported to the Health Benefits Committee in September 2005, significant progress has been made on most of the initiatives, which have now been fully integrated into the health programs and health plan contracts. Staff has researched current and emerging best practices, worked with health plans to assess and evaluate existing programs, and is in the process of working with plans to obtain and analyze outcome data. Other initiatives will require longer term efforts and further research.

IN PROGRESS

- A. Disease Management – Determine whether current disease management programs are appropriately focused or should be enhanced and/or re-focused.

Next Steps: Using early outcomes data, CalPERS staff will work with our health plans to establish baselines to ensure current disease management programs reach appropriate members, achieve positive outcomes, and realize a cost benefit. CalPERS will also shift the emphasis from plans demonstrating member participation to demonstrating improved health outcomes and lowered costs through the examination of utilization, clinical and financial outcome data.

IN PROGRESS

- B. High-Intensity Case Management (HICM) – Determine the feasibility of expanding the use of high-intensity case management programs by CalPERS health plans.

Next Steps: Initial indications are that disease management interventions beyond providing member education and communication to coordinate member care are successful as evidenced by the expansion of the Blue Shield HICM program and the Blue Cross neonatal and transplant/oncology programs, and the integration of HICM in Kaiser's delivery system. Staff will continue to track the outcomes of these programs to determine what components of the HICM model should be included in disease management programs. Staff will also work with Western Health Advantage to determine how HICM is used within its contracted medical groups.

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IN PROGRESS

- C. Member Engagement – Develop a proposal for a focused health-related member engagement activity to be conducted in partnership with the CalPERS Public Affairs Office, our contracted health plans, constituents, and employers.

Next Steps: CalPERS staff have begun discussing a program-wide member engagement activity for 2006, such as focus on “getting the most for your healthcare dollars” in CalPERS publications and in articles created for use by employers and constituent organizations.

During the HMO contract negotiations for 2007, we will work with our plans to develop consistent requirements for specific member engagement and decision-support on-line tools. This will assure that CalPERS HMO members will be able to access similar member engagement and decision support tools, regardless of their plan. Our plans will also be asked to participate in planning for a CalPERS health-related member engagement activity in 2007, such as this year’s Health Wallet project.

IN PROGRESS

- D. Member Incentives – Recommend potential member incentive pilot program guided by our research.

Next Steps: CalPERS, in coordination with Blue Shield, will continue to monitor the *Healthy Lifestyle Rewards* pilot program throughout 2005 and explore ways of increasing member participation and measuring health outcomes. Staff will continue to research best practices for providing members with incentives as evidence suggests that incentives can result in better compliance with disease management programs. Staff will also work with all of our contracting health plans to develop member incentive pilot programs that are specific and measurable.

IN PROGRESS

- E. Centers of Expertise – Develop and evaluation process and timeline for identifying additional potential procedures and facilities that might be appropriate as Centers of Expertise (COEs).

Next Steps: CalPERS staff has re-evaluated this deliverable and, in collaboration with our plans, will provide periodic reports to the Board as additional COE networks are added to our health program. Current COE procedures will be evaluated using health plan experience, outcomes, and efficiency, and by comparing outcomes to various evidence-based criteria and hospital quality measures to optimize quality.

IN PROGRESS

- F. Telemedicine – Determine whether telemedicine would provide a cost-effective method for improving healthcare access and clinical outcomes for members in underserved rural areas.

Next Steps: Blue Cross anticipates that providing members access to medical care through telemedicine will result in potential long-term cost savings through earlier diagnosis, treatment, intervention and management of chronic conditions; avoidance of chronic conditions escalating to require high cost procedures; and few repeated tests, labs, exams, follow-up specialty appointments, and lost workdays, as care is locally managed. CalPERS staff are working with Blue Cross to finalize evaluation criteria and identify data elements to determine if telemedicine is a cost-effective method for improving member access to healthcare.

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Investments

Objective #6 (Goal IV) – Achieve long-term performance returns that meet or exceeds policy targets by:

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| IN PROGRESS | A. Attaining the long-term policy target ranges established by the Board. |
| IN PROGRESS | B. Developing new investments and strategies that leverage existing portfolios that are cost effective, and add value to the Fund. |
| IN PROGRESS | C. Implementing business solutions that are competitive within the investment management market and meet industry standards. |
| IN PROGRESS | D. Maximizing return within the Board's established risk tolerance. |

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Strategy #1 (Market Awareness) (Goal I) - Provide necessary data and analysis to promote retirement and health security and form strategic partnerships to achieve enactment of appropriate program changes.

Strategy #2 (Communication/Outreach) (Goal I) - Establish partnerships with customers that will enable CalPERS to meet customer needs more expeditiously.

Strategy #3 (Service Delivery) (Goal I) - Provide multiple ways to conduct business and deliver service in a customer centric and secure environment.

Strategy #4 (National Leadership) (Goal I) - Maintain an active presence and provide ongoing leadership in retirement administration, health plan design and delivery, and investment management utilizing our position of influence, industry support, and strategic alliances with national organizations, in order to protect and enhance our health and pension benefits.

Strategy #5 (Technology) (Goal V) - Develop and maintain state of the art and secure technology infrastructure that will be targeted at supporting CalPERS' business objectives and initiatives.

Strategy #6 (Staff Development) (Goal V) - Provide CalPERS' staff with training in the skill sets, policies and procedures that enable them to perform their respective functions; redefine leadership competencies and design training strategies that support the attainment of changing business objectives.

Strategy #7 (Recruitment/Retention) (Goal V) - Develop and employ new and innovative recruitment, testing and hiring processes to assure that immediate and future staffing needs are met; Develop a more flexible classification plan that better encompasses rapidly changing job responsibilities.

Strategy #8 (Process Improvement) (Goal V) - Apply a consistent and repeatable business reengineering methodology applied to all business improvement efforts.

Strategy #9 (Performance Management) (Goal V) - Align performance evaluation and reward systems to re-enforce the accomplishment of the Business Objectives and supports the Core Values.

Strategy #10 (Planning) (Goal V) - Exercise the discipline to engage and seek counsel from all functions early in the development of projects and initiatives.

Strategy #11 (Facilities) (Goal V) - Provide CalPERS staff with a physical work environment that enhances individual performance and ensures maximum productivity by maintaining a "high performance" environment for the entire organization.

Strategy #12 (Information Assets) (Goal V) - Apply best practices to safeguard the confidentiality, integrity, and availability of CalPERS information assets while supporting established Business Objectives.